

Long may they live: cities and neighborhoods over the centuries

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Regions come, and regions go. Cities arise, flourish for a time, and then fall into decline. Neighborhoods change. But not always. In some—even many—cases, cities and towns persist over centuries and even millennia. Neighborhoods get new residents, but the character of the neighborhood remains. Why is all this so? Why is it that some places last for a long time and others don't? In [“The puzzling persistence of place”](#) (Federal Reserve Bank of Philadelphia *Business Review*, Second Quarter 2015), Jeffrey Lin asks three questions about neighborhoods, cities, and regions that have endured despite changes in their circumstances that would have caused other neighborhoods, cities, and regions to fall by the wayside in one way or another: “Why haven’t these urban patterns changed over decades, centuries, or even millennia? Is such persistence desirable? And what does persistence imply about the prospects for ‘place-making’ policies aimed at generating development or attracting [development] to particular locations?” The rest of his article seeks to answer these questions and to shed light not only on the reasons that certain places remain practically perpetually livable, but also on what we can do to encourage policies which feed into the natural attributes that make them so livable.

Lin cites three factors that economists have identified to “account for the remarkable long-run persistence of place”: natural geographic advantages; human geography, or agglomeration economies; and the human geography of the past, or sunk factors.

Natural geographic advantages are features of the territory, such as natural harbors, navigable rivers, and defensible hills, that attract households and businesses to the area. Their value may change over time—for example, natural harbors once were a magnet for trade and development, but now are more likely to attract residents and tourists because of the beauty of the landscape—but they still retain value.

Human geography is represented by those features of the environment which are valuable because they offer proximity to households and businesses whereby people can work, shop, be entertained, and give and receive all sorts of services. In other words, people benefit from the very fact that they agglomerate and form a thriving economic unit. Places that have done so tend to persist over time, despite both internal and external changes that might otherwise be disruptive.

Finally, the human geography of the past gives locations “durable capital left over from decades or centuries ago.” These sunk factors are a firewall against degradation and decay, providing a legacy of infrastructure and institutions that keeps a city or neighborhood vibrant while other areas fall into decline. Often, they serve purposes different from those they originally served—as, for example, a dilapidated bridge that once was a busy thoroughfare connecting heavy traffic between two “Rust Belt” towns. The bridge was never torn down and

replaced because it would have been too costly to do so. Now it is of use only to local residents and businesses—a purpose different from the original one, but a purpose nonetheless.

As evidence of the role of natural geographic advantages in persistence, Lin points to the strong correlation between the distribution of population among Japanese cities today and the population distribution of those same areas 8,000 years ago, as discovered by archaeologists. Moreover, despite heavy, random bombing of those cities during World War II, population returned to its prewar distribution shortly after the war. Regarding the role of human geography in persistence, Lin recalls the many U.S. cities that owe their establishment and early existence to some natural geographic advantage they had over other cities—for example, being near a waterfall that provided waterpower or being a port city when river traffic was the only way commerce could be conducted with other parts of the nation. Later, when that advantage was lost because of technological advancements (electrification and new land transportation technology, respectively), those cities still thrived because of the strong agglomeration economies that remained.

In a different, but related, vein, some among the first Europeans to America settled in certain New York City marshlands whose poor drainage resulted in flooding and disease. These areas became low-income areas of cities, with poor amenities and meager public services. Later, despite improvements in drainage and sewerage which made that natural disadvantage disappear, those areas remained impoverished, likely because of their by-now long established human geography—and they remain so today. Thus, there can be “bad” agglomeration economies that lead to the persistence of cities with undesirable characteristics.

Finally, confirming the role of sunk factors (the human geography of the past) in persistence, Lin calls the reader’s attention to Sweden, where towns that grew up along that country’s budding railroad system grew faster than other towns and remain larger today; to sub-Saharan Africa, where cities and agricultural development continue to follow long-abandoned rail lines; and to Los Angeles, California, where “population density today is strongly correlated with the location[s] of streetcar stops in the 1910s, and this correlation has been increasing over time.” All of these situations provide evidence that historical investments in infrastructure (i.e., sunk factors) may keep a location viable beyond what would otherwise be expected.

So, what can we learn from the factors underlying persistence about policies aimed at creating or attracting economic activities to particular locations? What kinds of policies can we adopt that offer a reasonable probability of success? One thing we can learn, says Lin, is that “policies that work against these three factors are unlikely to succeed.” For example, consider the prospect of building a new airline hub from scratch. Given that existing hubs are characterized by large sunk costs and economies of scale, building a new hub would require overcoming those advantages. Similarly, policies that seek to improve the condition of Los Angeles neighborhoods with poor natural amenities would be almost doomed to failure from the start because it would be difficult to overcome that large “sunk” disadvantage. To bring the point home via a concrete example, it would take “an implausibly large investment...to improve South Los Angeles to the level of Beverly Hills.” But policies that recognize the factors underlying persistence and that take full advantage of them “may be most effective in creating long-lasting change in neighborhoods and cities.” For example, if it is known that certain neighborhoods have businesses that engage in economic activities which strongly benefit other businesses and households, then policies that encourage those activities might have permanent beneficial effects.